

**MINUTES OF THE  
REVENUE AND TAXATION INTERIM COMMITTEE**  
Wednesday, June 20, 2007 – 2:00 p.m. – Room W135 House Building

**Members Present:**

Sen. Wayne L. Niederhauser, Senate Chair  
Rep. John Dougall, House Chair  
Sen. Mike Dmitrich  
Sen. Brent H. Goodfellow  
Rep. Ralph Becker  
Rep. Tim M. Cosgrove  
Rep. Craig A. Frank  
Rep. Gage Froerer  
Rep. Wayne A. Harper  
Rep. Bradley G. Last  
Rep. Rosalind J. McGee  
Rep. Carol Spackman Moss  
Rep. Aaron Tilton

**Members Absent:**

Sen. Curtis S. Bramble  
Sen. Howard A. Stephenson  
Pres. John L. Valentine  
Rep. Gregory H. Hughes  
Rep. Merlynn T. Newbold  
Rep. Gordon E. Snow  
Rep. Stephen H. Urquhart

**Staff Present:**

Mr. Phillip V. Dean, Policy Analyst  
Mr. Leif G. Elder, Research Analyst  
Mr. Bryant R. Howe, Assistant Director  
Ms. Angela D. Oakes, Associate General Counsel  
Ms. Rebecca L. Rockwell, Associate General Counsel  
Ms. Phalin L. Flowers, Legislative Secretary

**Note:** A list of others present, a copy of related materials, and an audio recording of the meeting can be found at [www.le.utah.gov](http://www.le.utah.gov).

**1. Committee Business**

Chair Niederhauser called the meeting to order at 2:15 p.m.

**MOTION:** Rep. Dougall moved to approve the minutes of the May 16, 2007 meeting. The motion passed unanimously with Rep. Becker, Rep. Frank, Rep. Harper, and Rep. Last absent for the vote.

Mr. Dean distributed and discussed "Monthly Revenue Summary - Eleven Months FY2006-07." He noted that it is estimated that FY 2007 actual revenue collections will exceed target revenues by between \$160 and \$260 million. He also noted that individual income tax collections have grown by 12.5 percent, unrestricted sales and use tax collections by 3.4 percent, and corporate franchise and income taxes by 10.4 percent over the same period during the prior year.

Dr. Andrea Wilko, Chief Economist, Office of the Legislative Fiscal Analyst, distributed and discussed "Revenue Update." She said the document was distributed at the June 19, 2007 Executive Appropriations Committee meeting.

Mr. Howe distributed and discussed "State and Local Taxes as Percent of Personal Income." He noted that Utah ranks 21st highest in terms of state and local taxes as a percentage of personal income and 10th highest state in terms of total own source revenue as a percentage of personal income.

**2. Legislation to Implement 2007 General Session S.B. 223 "Tax Amendments"**

Ms. Rockwell gave an update on the progress of the Trust and Estate Working Group of the Utah Tax Review Commission. She explained that the Working Group had its second meeting on June 19, 2007. She said the goal of the Working Group is to develop an income tax system for trusts and estates that harmonizes with the single rate individual income tax system. Ms. Rockwell said the Working Group is currently developing a starting point for calculating taxable income of estates and trusts and developing

tax credits that will harmonize with the single rate income tax system. She noted that the next Working Group meeting will be held on July 31, 2007 and that the Working Group will be discussing additions to and deductions from income.

### **3. General Fund Revenue from Fees Imposed by the Department of Commerce**

Rep. Michael Morley introduced this item. He explained that he is House Chair of the Commerce and Workforce Services Appropriations Subcommittee. During the 2007 General Session, the Subcommittee recommended to the Executive Appropriations Committee that revenue from the fees imposed by the Department of Commerce be reduced by \$1.8 million.

Ms. Francine Giani, Executive Director, Department of Commerce, explained that in FY 2006, \$9 million was transferred from the Commerce Service Fund to the General Fund as unrestricted revenue.

Rep. Morley said the Department is charging \$9 million more than is needed to cover the cost of providing its services. Rep. Dougall asked what is the annual budget for the Department. Ms. Giani replied that its annual budget is about \$19.9 million.

Rep. McGee asked if the Department had a handout with more details and information on fees imposed by the Department and the Department's revenue. Ms. Giani distributed "Commerce Service Fund Revenue By Division FY 2006."

Rep. Harper said the revenue collected from the fees imposed by the Department could be considered as adding to the tax base if these fees are deposited as unrestricted revenue into the General Fund.

Rep. Morley said that if the fees are going to be used as a tax, they should be called taxes instead of fees. He explained that he is not in favor of using fees as a source of unrestricted revenue.

Rep. Harper said fees are sometimes created to assist in additional regulation that departments want to implement.

Rep. Frank asked why the Subcommittee's recommendation wasn't adopted by the Executive Appropriations Committee. Mr. Stan Eckersley, Fiscal Analyst, Office of the Legislative Fiscal Analyst, said that the Executive Appropriations Committee looked at the issue from a budgeting point of view. The additional revenue allows the Legislature to fund additional priorities.

Rep. McGee asked what costs the fees are meant to cover. Rep. Morley said fees cover anything that it takes the Department to cover oversight of corporations and businesses.

Ms. Giani said that the Department tries to operate within the guidelines that they are given and to not rely on extra revenue generated from the fees.

Rep. Cosgrove asked what direction Rep. Morley would like the Committee to take. Rep. Morley said a new definition of what constitutes a "fee" might be appropriate.

Rep. Dougall said that he and Sen. Niederhauser are concerned that regulatory fees are being treated as taxes. He asked Rep. Morley to develop recommendations to resolve this issue for consideration at a future committee meeting.

**4. Other Items / Adjourn**

**MOTION:** Rep. Tilton moved to adjourn the meeting. The motion passed unanimously with Rep. Becker, Rep. Frank, Rep. Harper, and Rep. Last absent for the vote.

Chair Niederhauser adjourned the meeting at 3:05 p.m.